

EMPLOYEE RETIREMENT CHECKLIST

Updated October 2008

- ☐ Apply for retirement with Utah Retirement Systems (URS) 3 months before scheduled retirement date. Phone Numbers: (801) 366-7770, (800) 695-4877
- ☐ If annual leave will be used to purchase years of service, notify payroll of the need for an early payout.
- ☐ If you are purchasing years of service, you will file an *Application for Purchase of Future Service Credit* with the Retirement Office no earlier than 90 days before your proposed retirement date. Payment will only be accepted within 15 days of the retirement date set with the Retirement Office. In all cases URS must receive the total purchase amount before your retirement date.
- ☐ Contact your agency HR/Payroll retirement expert to process your sick leave benefit. It is suggested that you meet with them 2 to 3 months prior to your retirement date and then again upon retirement.
- ☐ Complete a 457 contract if you wish to place any payouts there (must be received by URS in the calendar month prior to the date of final paycheck).
- ☐ Complete a 401(k) contract if you wish to place any payouts there (must be received by URS by the end of your last pay period).
 - Employee must decide if they want their regular 401(k) deferral amount to come out of their final paycheck. The regular deferral will come out of the final paycheck UNLESS the employee elects to defer a different amount. If the employee elects to defer part or all of the final check, the amount specified on the final contract overrides any amount previously set up in SAP. For example, if the employee wants their annual leave payout and their regular deferral amount to come out of their final paycheck, the total amount on the 401(k) contract must reflect the deferral + the annual leave payout amount.
 - Employee must write retirement date, last day worked, and date of final paycheck on the contract form
- ☐ Sign the final Retirement Calculation Spreadsheet once completed by your agency HR/Payroll retirement expert.
- ☐ E-Sign the final Automated Retirement Worksheet once completed by your agency HR/Payroll retirement expert.
- ☐ Contact Shari Nagle within 30 days of your retirement date to complete enrollment forms for medical, dental, and life insurance. Shari Naegle can be reached at 801-366-7512 or shari.naegle@pehp.org.
 - If you need a Medicare Supplement, then it is suggested that you apply for Medicare A and B two to three months prior to your retirement date. Processing of these plans may take several months.

General Retirement Information

- If a retired employee is re-hired into a benefited position in the same calendar year as retirement; an amount equal to the pension contribution will be deposited into the employee's 401(k) account (up to IRS limitations)
- All retirees receive a retirement gift worth \$200.00. You may elect cash, a gift certificate, or a gift item. Please notify payroll of your selection.
- The insurance benefit provided is the same level of coverage the employee had upon retirement and is available to retirees under 65 years of age and their dependents by using 8 hours of sick or converted sick leave. **Retirees are responsible for their portion of the premium** at the same percentage participation rate as current employees (2% for Advantage Care and Summit Care, 7% for Preferred Care). Retirees pay a higher premium because they are in a different risk pool, so the exact cost will differ from the cost they are paying as an employee, but the percentage remains the same.
- State Paid insurance is also provided to retirees under 65 years of age as follows:
 - 2006 – 5 years
 - 2007 – 4 years
 - 2008 – 3 years
 - 2009 – 2 years
 - 2010 – 1 year
 - 2011 and after – State paid insurance is no longer provided
- Regular insurance ends when employee turns age 65. Employee can purchase Medicare supplement with additional sick leave. Sick leave covers the PEHP Medicare D Enhanced Plan. Employee can also purchase the PEHP Medicare D Basic Plan.
- Employee must be on Medicare A and B at the time of retirement to qualify for the PEHP Medicare Plans.
- The life insurance provided is the basic \$25,000, until age 65. The employee can opt to convert 25% of their additional life insurance coverage into a private policy with PEHP at their own expense.
- See Explanation of Withholding Tax below

Explanation of Withholding Tax

Any portion of gross taxable pay not offset by pre-tax deductions is subject to tax withholdings. The 401(k) and 457 deductions are pre-tax deductions for Federal and State tax purposes but **not** for Social Security and Medicare tax purposes. Therefore, you cannot shelter all of your leave payout from taxes. To illustrate, assume your annual leave payout amounts to \$10,000 and you claim married and one allowance on your W-4 withholding tax form. Even though you set up a 401(k) contract for \$10,000 you will still pay withholding taxes. This is because \$620 must be withheld for Social Security tax and \$145 for Medicare tax. In addition, Federal and State tax must be withheld on the money used to pay the Social Security and Medicare tax (\$765). Plus, the money withheld to pay the Federal and State Income tax on the Social Security and Medicare taxes is also subject to income tax withholding. As a result only \$8,910 of the \$10,000 can actually be deducted for the 401(k) tax shelter as shown below.

Form W-4 = Married & 1

Allowance Description	Pay Amount	Apply Tax Shelter	Fed/State Taxable	SS/Med Taxable
Regular Pay	\$ -	-	= \$ -	\$ -
Annual Leave Payout	\$10,000.00	-	\$ 8,910.00*	= \$ 1,090.00
Total: Earnings/Applied Shelter/Taxable	\$10,000.00	\$ 8,910.00	\$ 1,090.00	\$10,000.00
Less Deductions:				
401k Tax Shelter	\$ 8,910.00			
Other Deductions	\$ -			
Federal Tax (\$1,090 @ flat 25%)	\$ 272.50			
State Tax (\$1,090 @ Married + 1)	\$ 52.27			
Social Security (\$10,000 @ 6.2%)	\$ 620.00			
Medicare Tax (\$10,000 @ 1.45%)	\$ 145.00			
Total Deductions	\$ 9,999.77			
Net Pay	\$ 0.23			

* This amount can be determined by using the PayBreeze program.